

LAW OFFICES
STRANG, FLETCHER, CARRIGER, WALKER, HODGE, & SMITH, PLLC

CARLOS C. SMITH
WILLIAM C. CARRIGER
RICHARD T. HUDSON
EWING STRANG
LARRY L. CASH *
CHRISTINE MABE SCOTT *
J. ROBIN ROGERS # *
G. MICHAEL LUHOWIAK
GREGORY D. WILLETT
MARK W. SMITH *
STEPHEN D. BARHAM
OF COUNSEL
ROBERT KIRK WALKER
FREDERICK L. HITCHCOCK

400 KRYSTAL BUILDING
ONE UNION SQUARE
CHATTANOOGA, TENNESSEE 37402-2514

TELEPHONE 423-265-2000
FACSIMILE 423-756-5861

October 2, 2003

RECEIVED
2003 OCT -3 AM 10:20
T.R.A. DOCKET ROOM

S. BARTOW STRANG
1882-1954
JOHN S. FLETCHER
1879-1961
JOHN S. CARRIGER
1902-1989
JOHN S. FLETCHER, JR.
1911-1974
ALBERT L. HODGE
1910-1997
F. THORNTON STRANG
1920-1999

* ALSO LICENSED IN GEORGIA
ALSO LICENSED IN ALABAMA

VIA FEDERAL EXPRESS

The Honorable Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Docket No. 03-00072
Electric Power Board of Chattanooga

Dear Chairman Tate:

We are enclosing an original and thirteen copies of the information compiled by the Electric Power Board of Chattanooga for its fiscal year ending June 30, 2003.

Please contact us if you have any questions or if you need any additional information or documentation.

Sincerely yours,



William C. Carriger
For the Firm

WCC:tm
EPB/TEL - #201
Enclosures

Supplemental Information for the TRA Letter - Fiscal Year 2003

1. The General Allocator is a fraction with the expenses directly assigned and attributed to Telecommunications System as the numerator and the sum of the expenses directly assigned and attributed to the Telecommunications System plus the expenses directly assigned and attributed to the Electric System as the denominator. The cost of goods (specifically wholesale power and wholesale telecommunications services) shall be excluded from the calculation of the directly assigned and attributed expenses.

The General Allocator used in calculating the amount allocated to the Telecommunications System for the Board of Directors and the Services of City of Chattanooga was calculated monthly based on the above formula.

2. The General Allocator used in calculating EPB Overhead is computed on a month by month basis. The General Allocator used was as follows:

July 2002	15.5%
August 2002	9.6%
September 2002	8.1%
October 2002	9.2%
November 2002	8.6%
December 2002	10.6%
January 2003	9.3%
February 2003	9.6%
March 2003	8.9%
April 2003	9.8%
May 2003	13.0%
June 2003	10.0%

3. There are 980 poles included in the \$81,465.63 for fiscal year 2003 only. The rental agreement is month to month indefinitely.
4. EPB Telecommunications System utilized 25,517 duct feet of conduit.
5. The Telecommunications System occupied 11,989 square feet at a total cost of \$153,945.00 for the entire year.
6. Corporate Accounting functions include Accounts Payable, Payroll, General Ledger and Plant Accounting. A breakdown of \$56,438.87 is as follows:

Accounts Payable	\$13,545.33
Payroll	\$6,772.66
General Ledger	\$26,526.27
Plant Accounting	<u>\$9,594.61</u>
Total Breakdown	<u>\$56,438.87</u>

7. The cellular phone charge of \$154.44 is for one cellular phone for 3 months (April, May & June 2003) for a new employee. Most of the Telecommunications System phone charges are direct, not allocated.
8. Total salaries for the Telecommunications System equal \$2,336,947.56 and are charged directly to the Telecommunications System (excluding \$21,536.22 for work performed by Telecom employees which was transferred to the Internet System). Below is a breakdown of the employee benefit dollars, including prior year adjustments. The prior period adjustments to pension costs of (\$6,180.34) consists of \$5,962.01 for fiscal year 2002 and (\$12,142.35) for 11 months of fiscal year 2000 and 1 month of fiscal year 2001 to bring the allocation for those years in line with the actuary report. Please see the attached listing of the Telecommunications Systems employees as of June 30, 2003.

<u>Expenses</u>	<u>Amount FY 2003</u>	<u>Prior Period Adjustments</u>	<u>Total</u>
Disability Insurance	7,043.94	-	7,043.94
Life Insurance	14,274.03	36,756.67	51,030.70
401 (k)	44,042.72	-	44,042.72
Postretirement	64,828.97	-	64,828.97
Pension	107,904.92	-6,180.34	101,724.58
Health Insurance	214,124.50	-	214,124.50
Dental Insurance	15,278.22	-	15,278.22
<u>Workers' Comp</u>	<u>121,911.00</u>	<u>3,502.14</u>	<u>125,413.14</u>
Total Benefits	<u>589,408.30</u>	<u>34,078.47</u>	<u>623,486.77</u>

9. In July and August we allocated \$2,000 per month to Telecommunications for Information Technology support, the same as 2002. Starting in September 2003, our IT department started providing all of the IT support to the Telecommunications System, similar to what they were providing to the Electric System. Therefore, starting in September 2003, we used a monthly allocation based on the number of PC's used by Telecom divided by the number used by Electric and Telecom combined, times the total IT costs.
10. Please see the attached EPB Telecommunications System's "Operating Revenues, Operating Expenses & Other Deductions."

**LISTING OF TELECOMMUNICATIONS EMPLOYEES
AS OF JUNE 30, 2003**

DEPT	EMP #	NAME
211	1061	Sharolynn Harper
	1117	Jennifer Kaul
	1017	John Purcell
	972	John Seiffert
212	966	Jeremy Garrett
	1032	Kenneth Jones
	1059	Stacey Massengale
	541	Gary Owens
	1054	Mark Payne
	974	Frank Roden
213	1121	Andrew Bodley
	1074	Leslie Brown
	895	Robert Hay III
	971	Craig Mercer
214	963	Dale Donaldson
	1038	Stacy Keith
	1115	Kelli Layne
	1110	Valerie Lucas
	1173	Karen Starnes
220	1171	Majide Abed
	1111	Scott Brewster
	1215	Thomas Francescon
	958	Deborah George
	1114	Gerald Gifford
	962	Jeffrey Glass
	1041	Ann King
	1217	Kirk McLemore
	1131	Jason McVay
	1108	Sherry Peace
	964	Todd Rowden
230	1005	Gregory Hewitt
	349	Katherine Owens
290	1185	Randy Laub
	1188	Scott Rix

Total 34 Employees as of June 30, 2003

EPB TELECOMMUNICATIONS SYSTEM
OPERATING REVENUES, OPERATING EXPENSES AND OTHER DEDUCTIONS
JULY 2002 - JUNE 2003

Acct	Description	YTD
5000.501	LOCAL UNE SERVICE	(2,357,890.94)
5000.502	LOCAL SVC REV/TRUNKS	(987,213.20)
5000.503	LOCAL SRVC. REVENUE-DAT	(233,780.37)
5000.506	SWITCHED-I-NET/DATA	(39,138.01)
5000.526	QUICK CONNECT REVENUE	(3,390,418.50)
5000.527	ISDN/BRI REVENUE	(94,060.00)
5082.516	LD ACCESS REV-INTRASTAT	(89,042.17)
5082.517	LD ACCESS REV-INTERSTAT	(503,875.31)
5084.518	LOCAL ACCESS-INTERCONNE	(40,710.58)
5084.519	LOCAL ACCESS-TRUNK REVE	(46,165.20)
5100.500	L/D SERVICE REVENUE	(795,559.02)
5240.500	W/S TRANSP REV.-DRK FIB	(30,162.04)
5300.500	LOSS ON UNCOLL REVENUE	188,872.47
7100.501	OTHER REVENUE-METRONET	(37,162.99)
7100.502	OTHER NON-OPER REV	(272,182.25)
7300.500	OTHER OPER INCOME & EXP	(119,120.78)
		(8,847,608.89)
106120.151	NETWRK OP-OCCUPANCY CST	86,325.00
106530.040	GEN.MGT-MATERIAL&SUPPL	76.02
106531.152	NETWORK OPS-INTER TRUNK	775,786.45
106531.153	NETWORK OPS-UNE-P	1,814,923.04
106531.154	NETWORK OPS-SWITCH FEES	244,993.80
106531.155	NETWORK OPS-GEN EXP	60,226.43
106531.157	NETWORK OPS-LONG DST EX	564,619.59
116120.151	SWITCH.OP-OCCUPANCYCOST	33,091.81
116210.020	SWITCH.OP-SALARY&WAGES	245,063.03
116210.022	SWITC OP-S&W-OT-EMER	298.09
116210.040	SWITCH.OP-MATERIAL&SUPP	2,097.05
116210.043	SWITCH OP-NETWORK MTNC	56,168.00
116210.112	SWITCH.OP-TRAVEL	4,262.83
116210.120	SWITCH-EMPL.HLTH&DENTAL	24,066.77
116210.121	SWITCH-EMP.INS-OTHER	25,137.01
116210.125	SWITCHING-PENSION BENEF	12,233.95
116210.126	SWITCHING-POSTRET.BENEF	7,678.45
116210.127	SWITCHING-401K RET PLAN	3,195.13
116210.130	SWITCH OP.-MSC EMPL BEN	18,795.43
116210.180	NET.OP-SWITCH-TELEPHONE	4,766.72
116210.184	SWITCH.OP-LIC.&SOFTWARE	318.01
116210.199	SWITCH.OP-GENERAL EXP.	(818.19)
116299.022	SWITCH OP-STORM OT-EMER	1,991.43
116299.110	SWITCH OP-STORM-MEALS	28.12

EPB TELECOMMUNICATIONS SYSTEM
OPERATING REVENUES, OPERATING EXPENSES AND OTHER DEDUCTIONS
JULY 2002 - JUNE 2003

Acct	Description	YTD
126410.020	FIELD SVC.-SAL.&WAGES	142,301.30
126410.021	FLD SVC-S&W-OT-PLANNED	36,638.68
126410.022	FLD SVC-S&W-OT-EMERG	1,836.02
126410.030	FIELD SVC-O/S CONTR.	(3,494.13)
126410.040	FIELD SVC-MAT&SUPPLIES	6,689.99
126410.043	FIELD SVC-MTNC EXPENSE	2,380.41
126410.111	FIELD SVC-TRAINING	2,335.63
126410.112	FIELD SVC-TRAVEL	2,006.26
126410.113	FIELD SVCS-TRDE&ASC FEE	388.00
126410.120	FIELD SVC-EMPL HLTH&DEN	19,122.19
126410.121	FIELD SVC-EMP INS-OTHER	18,751.80
126410.125	FIELD SVC-PENSION BENEF	8,909.78
126410.126	FIELD SVC-POSTRET BENEF	5,960.83
126410.127	FIELD SVC-401K RET PLAN	4,495.88
126410.130	FLD SVC-MISC EMPL BENEF	13,444.12
126410.150	FIELD SVC-POLE ATT&RTS	89,704.77
126410.180	NET.OP-FIELD-TELEPHONE	8,465.59
126410.184	FIELD SVC-LICFEE&SOFTWR	2,504.12
126410.199	FIELD SVC-GENERAL EXP.	677.12
126410.352	FIELD SVC-EXP BILL	315.16
126410.360	FIELD SVC.SAL&WAGES TRA	14,665.60
126499.022	FIELD SVC-STORM-EMER OT	1,361.55
126499.040	FIELD SVC-STORM-MATERLS	9,652.85
136530.020	ENG-SALARY & WAGES	106,974.29
136530.021	ENG-S&W-OT-PLANNED	1,953.07
136530.022	ENG-S&W-OT-EMERG	239.07
136530.030	ENG-OUTSIDE LABOR	742.44
136530.040	ENG-MAT&SUPPLIES	5,243.85
136530.043	ENGR-NETWORK MTNC	99,814.90
136530.111	ENGINEERING-TRAINING	2,367.82
136530.112	ENGINEERING-TRAVEL	298.82
136530.120	ENGR-EMPL HLTH & DENTAL	11,549.25
136530.121	ENGR-EMP INS OTHER	13,322.53
136530.125	ENGR-PENSION BENEFITS	5,922.92
136530.126	ENGR-POSTRET EXP	3,839.37
136530.127	ENGR-401K RET SAV PLAN	3,130.67
136530.130	ENGR-MISC EMPL BENEFITS	11,904.20
136530.180	GEN.OP-ENG-TELEPHONE	4,147.79
136530.199	ENG-GENERAL EXP	(773.88)
136599.022	ENG-STORM-EMERGENCY O/T	2,471.04
146510.020	CUST PROV-SAL&WAGES	187,215.12
146510.021	CUST PROV-S&W-OT-PLNED	3,964.20
146510.030	CUST PROV-OS LABOR	1,596.00

EPB TELECOMMUNICATIONS SYSTEM
OPERATING REVENUES, OPERATING EXPENSES AND OTHER DEDUCTIONS
JULY 2002 - JUNE 2003

Acct	Description	YTD
146510.040	CUST PROV-MAT&SUPPLIES	3,197.86
146510.111	CUST PROV-TRAINING	2,469.16
146510.112	CUST PROV-TRAVEL	1,433.01
146510.120	CUST PROV-EMPL HLTH&DEN	18,884.92
146510.121	CUST PROV-EMP INS-OTHER	6,196.98
146510.125	CUST PROV-PENSION BENEF	9,545.06
146510.126	CUST PROV-POSTRET BENEF	5,997.41
146510.127	CUST PROV-401K RET PLAN	1,432.29
146510.130	CUST PROV-MSC EMPL BENF	13,950.48
146510.180	GEN.OP-CUST.-TELEPHONE	851.36
146510.199	CUST PROV-GENERAL EXP	(1.40)
146620.184	LIC FEE & SOFTWARE	18,492.00
156210.020	SWITCH.OP-SALARY&WAGES	71,862.44
156210.120	SWITCH-EMPL HLTH&DENTAL	6,916.19
156210.121	SWITCH-EMP INS-OTHER	4,876.02
156210.125	SWITCHING-PENSION BENEF	3,244.67
156210.126	SWITCHING-POSTRET.BENEF	1,862.86
156210.127	SWITCH OP-401-K RET PLN	1,967.68
156210.130	SWITCH OP-MSC EMPL BEN	539.51
156210.199	SWITCH OP-GENERAL EXP	(349.25)
206610.020	SALES&MKTG-SALARY&WAGES	491,291.74
206610.023	SALES&MKTG-COMMISSIONS	294,503.87
206610.040	SALES&MKTG-MATERIAL&SUP	4,216.31
206610.111	SALES&MKTG-TRAINING	1,673.97
206610.112	SALES&MKTG-TRAVEL	18,145.84
206610.113	SALES&MKT-TRADE&ASC FEE	2,858.75
206610.120	SALES&MKTG-EMP HLTH&DEN	53,769.13
206610.121	SALES&MKT-EMP INS-OTHER	75,434.83
206610.125	SALES&MKT-PENSION BENEF	26,751.72
206610.126	SALES&MKT-POSTRET BENEF	16,695.97
206610.127	SALES&MKT-401K RET PLAN	12,817.84
206610.130	SALES&MKT-MISC EMP BENF	64,722.36
206610.140	SALES&MKTG-CONSULTING	11,250.00
206610.160	SALES&MKTG-ADVERTISING	57,919.67
206610.161	SALES&MKTG-PROMO ITEMS	4,660.24
206610.162	SALES&MKTG-CORP COM INT	1,079.29
206610.167	SALES&MKTG-CORP COM EXT	6,656.13
206610.170	SALES&MKTG-ADV COLL MAT	48,941.04
206610.171	SALES&MKTG-ADV NSP/PUBL	105,271.62
206610.172	SALES&MKTG-ADV RADIO	51,497.07
206610.173	SALES&MKTG-ADV TELEVISN	2,941.00
206610.174	SALES&MKTG-ADV DISPLAYS	17,134.63
206610.175	SALES&MKTG-ADV CIRCULAR	6,360.81

EPB TELECOMMUNICATIONS SYSTEM
OPERATING REVENUES, OPERATING EXPENSES AND OTHER DEDUCTIONS
JULY 2002 - JUNE 2003

Acct	Description	YTD
206610.176	SALES&MKTG-ADV SIGN/OUT	6,665.15
206610.177	SALES&MKTG-ADVERT-GENER	2,125.50
206610.180	SALES&MKTG-TELEPHONE	18,990.68
206610.184	SALES&MKTG-LIC.FEE&SFTW	2,790.92
206610.199	SALES&MKTG-GENERAL EXP	1,985.18
306620.020	CUST.OPER-SALARY&WAGES	119,091.16
306620.021	CUST OPER-S&W-OT-PLNED	9,173.12
306620.030	CUST OPER-OS LABOR	38,245.26
306620.040	CUST.OPER-MAT.&SUPPLIES	14,715.88
306620.111	CUST.OPER-TRAINING	700.00
306620.112	CUST.OPER-TRAVEL	235.03
306620.120	CUST OPER-EMP HLTH&DENT	12,423.71
306620.121	CUST OPER-EMP INS OTHER	3,960.90
306620.125	CUST OPER-PENSION BENEF	6,073.86
306620.126	CUST OPER-POSTRET BENEF	3,792.87
306620.127	CUST OPER-401K RET PLAN	3,548.29
306620.130	CUST OPER-MSC EMPL BENF	10,255.18
306620.140	CUST.OPER-CONSULTING	14,135.00
306620.180	CUSTOMER OPS-TELEPHONE	897.24
306620.182	CUSTOMER OPS-POSTAGE	23,693.21
306620.184	CUST.OPER-LIC.FEE&SFTWR	71,986.59
306620.199	CUST.OPER-GENERAL EXP.	14,888.83
306623.180	CUST OP-CUST CARE PHONE	753.90
906120.151	ADMIN-OCCUPANCY COSTS	67,620.00
906710.020	EXECUTIVE-SALARY&WAGES	151,160.24
906710.199	EXECUTIVE-GEN.EXPENSES	(1,338.17)
906720.040	ADMIN-MATERIAL&SUPPLIES	5,952.47
906720.111	ADMIN-TRAINING	454.26
906720.112	ADMIN-TRAVEL	186.50
906720.113	ADMIN-TRADE&ASC.FEE	3,000.00
906720.120	ADMIN-EMPL.HLTH.INSUR.	23,454.73
906720.121	ADMIN-EMPL.INSUR-OTHER	5,203.91
906720.125	ADMIN-PENSION BENEFITS	7,812.26
906720.126	ADMIN-POSTRET. BENEFITS	4,970.06
906720.127	ADMIN-401K RET.SAV.PLAN	2,543.91
906720.130	ADMIN-MISC.EMPL.BENEFIT	80,581.56
906720.140	ADMIN-CONSULTING	86,920.26
906720.141	ADMIN-LEGAL FEES	63,414.99
906720.162	ADMIN-CORPORATE COMM.	28,587.39
906720.180	ADMIN-TELEPHONE EXP.	1,100.65
906720.183	ADMIN-COMP&OFC EQP MTC	4,536.00
906720.184	ADMIN-LIC.FEE&SOFTWARE	519.17
906720.190	ADMIN-PROPERTY INSURANC	10,246.00

EPB TELECOMMUNICATIONS SYSTEM
OPERATING REVENUES, OPERATING EXPENSES AND OTHER DEDUCTIONS
JULY 2002 - JUNE 2003

Acct	Description	YTD
906720.191	ADMIN-LIABILITY INSURAN	41,168.49
906720.199	ADMIN-GENERAL EXPENSE	81,559.14
906720.352	ADMIN-BILLINGS & CREDIT	(10,742.20)
906720.361	ADMIN-INFO.SERV.COSTS	115,509.00
906720.365	ADMIN-GEN.SVC.FROM EPB	322,342.23
906720.367	ADMIN-CORP.ACCTG.SVC.	56,438.87
906720.368	ADMIN-HUMAN RES SERV	67,650.22
	OPERATING EXPENSES BEFORE	
	DEPRECIATION & PROP TAXES	7,992,303.44
906560.380	DEPREC-TELECOM SYSTEM	1,404,260.41
907200.366	IN LIEU OF TAXES	443,548.65
	TOTAL OPERATING EXPENSES	9,840,112.50

**EPB Telecommunications
Reporting Requirements
Fiscal Year 2003**

INDEX

- a. The name and address of all affiliated systems
- b. All contracts entered into with affiliated systems or entity, and all transactions undertaken with any affiliates without a written contract
- c. The amount of affiliate transactions by affiliate by account charged
- d. The basis used to record affiliate transactions
- e. Total costs allocated or charged back to each system
- f. Updates of the allocation factors used to allocate costs between the Electric System and the Telecommunications System
- g. EPB's audited financial data for the Electric System, Telecommunications System, Internet System and on a consolidated basis
- h. A computation of all tax allocations for regulatory purposes as follows:
 - 1. Property taxes
 - 2. Sales taxes
 - 3. Other State and Local Taxes
 - 4. Federal Income Tax

EPB Telecommunications
Reporting Requirements
Fiscal Year 2003

a. The name and address of all affiliated systems

EPB Electric System
 P. O. Box 182255
 Chattanooga, TN 37422-7255

EPB Internet System
 P. O. Box 182255
 Chattanooga, TN 37422-7255

b. All contracts entered into with affiliated systems or entity, and all transactions undertaken with any affiliates without a written contract

Contracts:

Revolving Line of Credit Note to EPB for amounts advanced by the Electric System to the Telecommunications System up to \$28,000,000

Non-Contract transactions:

Electric service provided to telecommunications facilities
 Electric labor provided to Telecom System
 Telecom labor & materials provided to Internet System

c. The amount of affiliate transactions by affiliate by account charged

1. Loan advanced from EPB to the Telecommunications System:	\$ 23,785,448
2. Interest expense on loan from EPB:	\$ 1,067,056
3. Electric service to free-standing telecommunications facilities:	\$ 1,309
4. Electric labor provided to Telecom System:	\$ 17,972
5. Telecom labor & materials provided to Internet System:	\$ 37,163

d. The basis used to record affiliate transactions

1. Loan advanced from EPB to the Telecommunications System
 Basis: cash value
2. Interest expense on loan from EPB
 Basis: highest of prime rate published in *Wall Street Journal*, or earned on invested electric funds
3. Electric service to free-standing Telecommunications facilities
 Basis: TVA published rates, commercial classification

EPB Telecommunications
Reporting Requirements
Fiscal Year 2003

4. Electric labor provided to Telecom System
 Basis: Actual wages paid for work performed plus benefits
5. Telecom labor and materials provided to Internet System
 Basis: Actual cost of materials and actual cost of labor plus benefits

e. Total costs allocated or charged back to Telecom System for Fiscal Year 2003

TOTAL ALLOCATIONS TO TELECOMMUNICATIONS

Expenses	Amount FY 2003	Prior Period Adjustments	Total
Information Technology	131,778.45	-37,248.18	94,530.27
Rental – Poles & Conduit	81,465.63	8,239.14	89,704.77
Building Rental	153,945.00	-	153,945.00
Corporate Accounting	56,438.87	-	56,438.87
Annual Audit	12,600.00	-	12,600.00
Annual Report	18,000.00	10,587.39	28,587.39
Internal Publications	5,519.97	10,816.26	16,336.23
EPB Overhead	423,225.03	1,845.68	425,070.71
Payroll Benefits	589,408.30	34,078.47	623,486.77
Telephone Services	154.44	-	154.44
	<u>1,472,535.69</u>	<u>28,318.76</u>	<u>1,500,854.45</u>

**EPB Telecommunications
Reporting Requirements
Fiscal Year 2003**

f. Updates of the allocation factors used to allocate costs between the Electric System and the Telecommunications System

Allocations between Telecommunications System and the Electric System – Fiscal Year 2003

1. Information Technology – Used \$2,000 per month for July and August 2002. For remainder of fiscal year, used an allocation based on the number of PC's used by Telecom.
2. Rental - Poles - Based on actual number of poles used and their location. The dollar charge is the highest that EPB charges any outside party for comparable pole attachments. Conduit – Based on actual number of feet used.
3. Building Rental - Allocated based on square footage occupied by Telecom.
4. Corporate Accounting - Allocated based on analysis of accounting function performed by each employee.
5. Annual Audit & Report – Allocated 20% to Telecom for fiscal year 2003, based on the estimated annual audit and annual report costs.
6. Internal Publications – Allocated based on the number of employees for Electric and Telecom, including the number of retirees for each division.
7. Payroll Benefits – Pension and Post-retirement are based on an actuarial valuation. Workers Comp Insurance allocation has been provided by the Workers Comp Insurer. Life and Disability are charged directly to Telecom based on actual payroll and the applicable life & disability rates. The 401(k) employer-matching is based on an employee deferring from 1% to 10% of their salary with employer matching up to 3% (same as Electric).

Health Insurance – Allocated based on claims paid for telecommunications employees.

Dental Insurance – July 2002 through April 2003 was allocated based on the number of Telecom employees with dental insurance divided the total Electric and Telecom employees with dental insurance, times the total dental costs. Starting in May 2003, we changed our allocation method to direct cost of dental insurance (administrative costs and claims) for the Telecommunications employees.
8. EPB Overhead – Management and administrative personnel and expenses including Human Resources and Board of Directors. This category also includes services of the City of Chattanooga for signing EPB checks. Allocated based on the General Allocator.

The direct identifiable property insurance premium of \$10,246.00 for the Telecom Switch for Fiscal Year 2002-03 has been totally charged to Telecom and is included in the "EPB Overhead" total above. Other general property insurance premiums are included in the building rental. Telecom's portion of Liability, Comprehensive Dishonesty, General Liability, Auto Liability, Directors & Officers Liability, and Umbrella Excess Liability insurance has been allocated based on payroll dollars for 2002-03.
9. Telephones – Allocated based on actual number of cellular phones used by Telecom versus company total. (Most telecom phones are direct charges, not allocated).

EPB Telecommunications
Reporting Requirements
Fiscal Year 2003

g. EPB's audited financial data for the Electric System, Telecommunications System, Internet System, and on a consolidated basis (see attached)

h. A computation of all tax allocations for regulatory purposes as follows:

1. Property taxes

<u>TAXING DISTRICT</u>	<u>JUNE 30, 2002 NET INVESTMENT</u>	<u>ASSESSMENT RATIO</u>	<u>2002 TAX RATE</u>	<u>2002 EQUALIZATION RATIO</u>	<u>TAX</u>
CHATTANOOGA	\$ 12,210,203.00	0.55	2.5160	1.000	\$ 199,508.18
EAST RIDGE	6,797.00	0.55	1.0610	1.000	46.83
RED BANK	7,847.00	0.55	1.0500	1.000	53.51
SODDY DAISY	16,055.00	0.55	.4900	1.000	51.09
HAMILTON COUNTY	12,268,791.00	0.55	3.0610	1.000	243,889.04
TOTAL	\$ 24,509,693.00				<u>\$ 443,548.65</u>

2. Sales taxes

Capital Expenditures	\$ 674,645
Material Expenses	<u>51,842</u>
Total	<u>\$ 726,487</u>

@ 7.00% State \$ 50,854

Capital Expenditures	\$ 674,645
Material Expenses	<u>51,842</u>
Total	<u>\$ 726,487</u>

Less: Single Article 194,266

\$ 532,221

@ 2.25% State \$ 11,975

Total Sales Tax \$ 62,829

EPB Telecommunications
Reporting Requirements
Fiscal Year 2003

3. Other State and Local Taxes

Gross Receipts Tax **\$ 227,850**
(see attached)

Franchise, Excise Tax **\$ 36,313**
(see attached)

4. Federal Income Tax

Federal Income Tax **\$ 0**
(see attached)



TENNESSEE DEPARTMENT OF REVENUE
Gross Receipts Tax Return - Gas, Water, Electric Power, & Light Companies

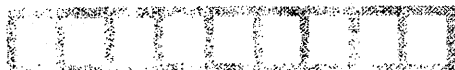
**GRO
209**

Taxable Period Beginning: 07/01/2002 Ending: 06/30/2003	Account No. Due Date	SSN OR FEIN 99-9999999
EPB-Telecommunications System P O Box 182255 Chattanooga, TN 37422-7255		
Reporting Period Month Day Year Beginning: 07 / 01 / 02 Ending: 06 / 30 / 03 <small>Please indicate the annual or monthly reporting period</small>		
If this is an AMENDED RETURN, } <input type="checkbox"/> please check the box at right		
Make your check payable to the Tennessee Department of Revenue for the amount shown on Line 16 and mail to: TENNESSEE DEPARTMENT OF REVENUE Andrew Jackson State Office Building 500 Deaderick Street, Nashville TN 37242		

ROUND TO NEAREST DOLLAR

Gross Receipts Tax on Gas Distribution		
1. Gross receipts from gas distribution in Tennessee	(1)	.00
2. Tax (% of Line 1)	(2)	.00
Gross Receipts Tax on Water/Electricity Distribution		
3. Gross receipts from water/electricity distribution in Tennessee	(3)	8,810,446 .00
4. Less: Exemption (\$5,000 maximum)	(4)	5,000 .00
5. Gross receipts subject to tax (Line 3 less Line 4)	(5)	8,805,446 .00
6. Tax (% of Line 5)	(6)	264,163 .00
Computation of Tax		
7. Gross receipts tax (From Lines 2 and/or 6)	(7)	264,163 .00
8. Less: Franchise tax credit	(8)	36,313 .00
9. Less: Excise tax credit	(9)	.00
10. Net tax (Line 7 less Lines 8 and 9)	(10)	227,850 .00
11. Less credit amount from previous Department of Revenue notice(s)	(11)	.00
12. Penalty <small>(If filed LATE, compute penalty at 5% of the tax (Line 10 minus Line 11) for each 1 to 30 DAY PERIOD for which TAX IS DELINQUENT. Total penalty not to exceed 25%.) Minimum penalty is \$15 regardless of the amount of tax due or whether there is any tax due</small>	(12)	.00
13. Interest (Line 10 minus Line 11 X % per annum on taxes unpaid by the due date)	(13)	.00
14. Total Tax Due (Add Lines 10, 12 and 13, less Line 11 if applicable)	(14)	227,850 .00
15. Installment (1/4 of Line 14) (Only timely annual filers have the option to use this line)	(15)	.00
16. Total Remittance Amount (Line 14 or Line 15)	(16)	.00

**FOR OFFICE
USE ONLY**



I declare this is a true, complete, and accurate return to the best of my knowledge.	
SIGN HERE	Date
President or other Principal Officer, Partner or Proprietor	
SIGN HERE	Date
Tax Return Preparer and Title	


**TENNESSEE DEPARTMENT OF REVENUE
FRANCHISE, EXCISE TAX RETURN**
**FAE
170**

Taxable Year Beginning: 07/01/2002 Ending: 06/30/2003	Account No. Due Date 	FEIN or SSN 99-9999999		
CHECK APPROPRIATE BLOCK(S): <table style="width:100%;"> <tr> <td style="width:50%;"> a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership </td> <td style="width:50%;"> j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____ </td> </tr> </table>		a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership	j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____	If this is an AMENDED RETURN, please check the box at right. <input type="checkbox"/> If the taxpayer is inactive in Tennessee, please check the box at right. <input type="checkbox"/> If this is a FINAL RETURN for termination or withdrawal, please check box at right. <input type="checkbox"/> If the payment for this return was sent via EFT, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a consolidated group, please check the box at right. <input type="checkbox"/> If the taxpayer is a member of a partnership operating in Tennessee, please check the box at right. <input type="checkbox"/> Enter the principal business activity code (NAICS) listed in federal IRC instructions that best describes the principal business activity in Tennessee. 513300 Date Tennessee Operations Began _____ If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input type="checkbox"/>
a. <input type="checkbox"/> Tennessee domestic corporation b. <input type="checkbox"/> Foreign corporation c. <input type="checkbox"/> S Corporation d. <input type="checkbox"/> Insurance Company e. <input type="checkbox"/> LLC f. <input type="checkbox"/> PLLC g. <input type="checkbox"/> Single Member LLC/individual h. <input type="checkbox"/> Single Member LLC/corporation i. <input type="checkbox"/> Single Member LLC/general partnership	j. Single Member LLC/Division of parent (see instructions) k. <input type="checkbox"/> LP l. <input type="checkbox"/> LLP m. <input type="checkbox"/> RLLP n. <input type="checkbox"/> PRLLP o. <input type="checkbox"/> Business Trust p. <input type="checkbox"/> Not-For-Profit q. <input type="checkbox"/> Other _____			

EPB-Telecommunications System
P O Box 182255
Chattanooga, TN 37422-7255

SCHEDULE A - COMPUTATION OF FRANCHISE TAX		DOLLARS	CENTS
1. Total net worth from Schedule F, Line 6	(1)	(12,566,414)	
2. Total real & tangible personal property from Schedule G, Line 14	(2)	14,525,259	
3. Franchise tax (25¢ per \$100.00 or major fraction thereof on the greater of Lines 1 or 2; minimum \$100.00) ..	(3)	36,313	
SCHEDULE B - COMPUTATION OF EXCISE TAX			
4. Income subject to excise tax from Schedule J, Line 30	(4)	(2,804,434)	
5. Excise tax (6.5% of Line 4)	(5)	-0-	
6. Add: Recapture of excise tax credit from Schedule T, Part 2	(6)		
7. Net excise tax due (Line 5 plus Line 6)	(7)	-0-	
SCHEDULE C - COMPUTATION OF TOTAL TAX DUE OR OVERPAYMENT			
8. Total Franchise and Excise taxes - Add lines 3 and 7	(8)	366,313	
9. Deduct: Total credit from Schedule D, Line 7 (cannot exceed Line 8)	(9)		
10. Subtotal: Line 8 less Line 9 (if Line 9 exceeds Line 8, enter 0 here)	(10)		
11. Deduct: Total payments from Schedule E, Line 7	(11)		
12. Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	(12)		
13. Interest (% per annum on taxes unpaid by the due date)	(13)		
14. Penalty on estimated franchise, excise tax payments	(14)		
15. Interest on estimated franchise, excise tax payments	(15)		
16. Total amount due (overpayment) - Add lines 10, 12, 13, 14, and 15, less Line 11	(16)	36,313	
If overpayment reported on Line 16, complete A and/or B:			
A. <input type="checkbox"/> Credit to next year's tax \$ _____		B. <input type="checkbox"/> Refund \$ _____	
POWER OF ATTORNEY - Check YES if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters. <input type="checkbox"/> YES			
Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete.			
Taxpayer's Signature _____	Date _____	Title _____	
Tax Preparer's Signature _____	Preparer's SSN _____	Date _____	Telephone _____
Preparer's Address _____	City _____	State _____	ZIP _____

**FOR OFFICE
USE ONLY**

--	--	--	--

--	--	--	--

Remit amount in Item 16, payable to:
TENNESSEE DEPARTMENT OF REVENUE
 Andrew Jackson State Office Building
 500 Deaderick Street, Nashville, TN 37242

Schedule D -- SCHEDULE OF CREDITS

1. Gross Premiums tax credit (cannot exceed Schedule C, Line 8)	(1)		
2. Insurance Company reduction (percentage of Schedule C, Line 8, less Schedule D, Line 1)	(2)		
3. Tennessee Income Tax (cannot exceed Schedule B, Line 5)	(3)		
4. Day Care Credit from Schedule W, Line 18/LIHTC from Schedule Y, Line 3	(4)		
5. Industrial Machinery Credit from Schedule T, Line 11	(5)		
6. Jobs Tax Credit from Schedule X, Line 27	(6)		
7. Total Credit - Add lines 1 through 6 (Enter here and on Schedule C, Line 9)	(7)		

Schedule E -- SCHEDULE OF PAYMENTS

1. Overpayment from previous year if available	(1)		
2. First quarterly estimated payment	(2)		
3. Second quarterly estimated payment	(3)		
4. Third quarterly estimated payment	(4)		
5. Fourth quarterly estimated payment	(5)		
6. Extension payment	(6)		
7. Total payments - Add lines 1 through 6 (Enter here and on Schedule C, Line 11)	(7)		

COMPUTATION OF FRANCHISE TAX**Schedule F -- NET WORTH**

1. Net Worth (total assets less total liabilities; deduct Treasury Stock)	(1)	(12,566,414)
2. Indebtedness to or guaranteed by parent or affiliated corporation	(2)	
3. Deduct: Interest in another taxpayer doing business in Tennessee (Attach schedule)	(3)	()
4. Total lines 1 and 2 less Line 3	(4)	(12,566,414)
5. Ratio (Schedules N, O, P, R, or S if applicable or 100%)	(5)	100 %
6. Total - Line 4 multiplied by Line 5 (Enter here and on Schedule A, Line 1)	(6)	(12,566,414)

Schedule G - DETERMINATION OF REAL AND TANGIBLE PROPERTY

BOOK VALUE OF PROPERTY OWNED - Cost less accumulated depreciation				In Tennessee
1. Land	(1)			
2. Buildings, leaseholds, and improvements	(2)			
3. Machinery, equipment, furniture, and fixtures	(3)			12,311,323
4. Automobiles and trucks	(4)			
5. Prepaid supplies and other tangible personal property (Attach schedule)	(5)			
6. Share of partnership real and tangible property provided that the partnership does not file a return (Attach schedule)	(6)			
7. Inventories and work in progress	(7)			
a. Deduct exempt inventory in excess of \$30 million (§67-4-2108(a)(6))	(7a)			()
8. Deduct value of certified pollution control equipment (Include copy of certificate (§67-5-604))	(8)			()
9. SUBTOTALS - Add lines 1 through 7, less Line 7a and Line 8	(9)			12,311,323
Rental Value of Property Used but not Owned				(C)
Net Annual Rental Paid for:				
10. Real property	(A)	(B)	(10)	
	In Tennessee			
	276,742	x8		2,213,936
11. Machinery & equipment used in manufacturing & processing		x3	(11)	
12. Furniture, office machinery, and equipment		x2	(12)	
13. Delivery or mobile equipment		x1	(13)	
14. TENNESSEE TOTAL - Add lines 9-13 (Enter total here and on Schedule A, Line 2)			(14)	14,525,259

U.S. Corporation Income Tax Return

OMB No. 1545-0123

For calendar year 2002 or tax year beginning 07/01, 2002, ending 06/30, 2003
▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.**2002**

A Check if a: 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (as defined in Regulations sec. 1.441-3(c)—see instructions) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name EPB Telecommunications System	B Employer identification number 99 : 9999999
		Number, street, and room or suite no. (if a P.O. box, see page 7 of instructions.) P O Box 182255	C Date incorporated
		City or town, state, and ZIP code Chattanooga TN 37422-7255	D Total assets (see page 8 of instructions)

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change \$ 13,014,662

Income	1a Gross receipts or sales	b Less returns and allowances	c Bal	1c <u>8,810,446</u>
	2 Cost of goods sold (Schedule A, line 8)			2 <u>3,460,549</u>
	3 Gross profit. Subtract line 2 from line 1c			3 <u>5,349,897</u>
	4 Dividends (Schedule C, line 19)			4
	5 Interest			5
	6 Gross rents			6
	7 Gross royalties			7
	8 Capital gain net income (attach Schedule D (Form 1120))			8
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)			9
	10 Other income (see page 9 of instructions—attach schedule)			10
	11 Total income. Add lines 3 through 10			11 <u>5,349,897</u>
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)			12
	13 Salaries and wages (less employment credits)			13
	14 Repairs and maintenance			14
	15 Bad debts			15
	16 Rents			16
	17 Taxes and licenses			17 <u>707,712</u>
	18 Interest			18 <u>1,067,056</u>
	19 Charitable contributions (see page 11 of instructions for 10% limitation)			19
	20 Depreciation (attach Form 4562)	20 <u>1,404,260</u>		
	21 Less depreciation claimed on Schedule A and elsewhere on return	21a	21b <u>1,404,260</u>	
	22 Depletion			22
Tax and Payments	23 Advertising			23
	24 Pension, profit-sharing, etc., plans			24
	25 Employee benefit programs			25
	26 Other deductions (attach schedule)			26 <u>4,975,303</u>
	27 Total deductions. Add lines 12 through 26			27 <u>8,154,331</u>
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 <u>(2,804,434)</u>
	29 Less: a Net operating loss (NOL) deduction (see page 13 of instructions)	29a		
	b Special deductions (Schedule C, line 20)	29b		
	30 Taxable income. Subtract line 29c from line 28			30 <u>(2,804,434)</u>
	31 Total tax (Schedule J, line 11)			31
	32 Payments: a 2001 overpayment credited to 2002	32a		
b 2002 estimated tax payments	32b			
c Less 2002 refund applied for on Form 4466	32c ()	d Bal	32d	
e Tax deposited with Form 7004			32e	
f Credit for tax paid on undistributed capital gains (attach Form 2439)			32f	
g Credit for Federal tax on fuels (attach Form 4136). See instructions			32g	
33 Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached			33	
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed			34 <u>-0-</u>	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			35 <u>-0-</u>	
36 Enter amount of line 35 you want: Credited to 2003 estimated tax		Refunded	36	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature

Date

Check if self-employed ☐

Preparer's SSN or PTIN

Firm's name (or yours if self-employed), address, and ZIP code

EIN

Phone no. ()